



MEMORANDUM

TO: City Council

FROM: L. Kimball Payne, III, City Manager

DATE: October 19, 2005

SUBJ: City Tourism Program

DISCLOSURE: *Based on my position as City Manager, I am an ex officio, voting member of the Lynchburg Regional Chamber of Commerce Board of Directors. I have not been involved with the preparation of the proposal from the Chamber for the renewal of the present tourism contract and will abstain from any discussion of the matter that might come before the Chamber's Board of Directors except to represent the City's position. I believe that I can fairly represent the City in this matter before all parties.*

Introduction

The City's contract with the Lynchburg Regional Chamber of Commerce for the operation of the Visitors Information Center and the Lynchburg Regional Convention and Visitors Bureau expires on December 31, 2005. The Chamber of Commerce has submitted a proposal for a five (5) year renewal of the contract, with amendments. In addition, the Lynchburg Hotel/Motel Association has submitted an alternative proposal.

This document is meant to provide a basis for City Council's discussion of this issue.

Background

Prior to commencing a discussion about the advisability of changing the present arrangement regarding the City's tourism program City Council should consider the purposes of and expectations for such a program. Relevant questions include:

- What are the goals of a local tourism program?

- Who are the stakeholders of a tourism program?
- What are the expectations of City Council with regard to the program (oversight, frequency and content of reports, accountability, funding, focus, regionalism)?
- What are indicators of success?
- How should the performance of a tourism program be measured?

I believe that Council should reach some agreement on the answers to these questions as a prerequisite to deciding how a tourism program should be structured. Appendices A and F of the *Virginia Tech Lynchburg Regional Convention & Visitors Bureau Performance Audit* (Attachment #1) provide some information on performance measurement and benchmarking. In addition, I have attached a copy of the *Charlottesville-Albemarle Agreement for the Operation of a Joint Convention and Visitors' Bureau* (Attachment # 2) which does a good job of articulating the purposes of the program, responsibilities and performance measures.

History

The City's tourism program was originally housed in the Department of Economic Development. In 1993 the program was transferred to the Chamber of Commerce under the terms of a three (3) year agreement. An October 1992 press release and an overview of the arrangement are attached for your information (Attachment #3). The agreement has been somewhat modified from the original and renewed twice for five (5) year terms.

Components of the Present Contract

- The current contract is a "Lease and Operating Agreement" between the City of Lynchburg and the Lynchburg Regional Chamber of Commerce (LRCC) effective January 1, 2000 with an expiration date of December 31, 2005. A copy is provided as Attachment #4.
- The agreement states that "the City desires to further enhance travel and tourism in Lynchburg by transferring the operation of the Visitors Information Center and the management of the Lynchburg Regional Convention & Visitors Bureau (LRCVB) to the LRCC."
- The City rents the Visitors Information Center building located at 216 12th Street to the LRCC for one dollar (\$1.00) a year (Article I). The LRCC is to operate the center at a sufficient staffing level to maintain its status as a

State certified Visitors Information Center (Article VII). The City provides routine day-to-day janitorial services and maintenance of the premises and surrounding grounds at the LRCC's expense. The City is responsible for all major repairs (Article IX). The City pays for electrical usage and the LRCC pays for all telephone and utility charges (Article X).

- The agreement establishes a Tourism Advisory Council (TAC; previously called and sometimes still referred to as the "Travel Advisory Council") which is responsible for advising the LRCC on the operation of the LRCVB "for the purpose of developing travel and tourism in the Lynchburg area" (Article IV). The LRCC delegates primary review of LRCVB decisions to the TAC while maintaining authority over and responsibility for the tourism operation. Such decisions may include but are not limited to advertisement design and placement, design of other printed materials, and the development of a marketing plan. The TAC also advises the LRCC on administrative issues which it believes impact the LRCVB.
- The Board of Directors of the LRCC and its President are responsible for the development of the overall budget of the LRCVB, the hiring and supervising of employees, and the day-to-day operation of the Visitors Information Center and the LRCVB (Article IV).
- The TAC consists of twelve (12) members, six (6) selected by City Council (one of whom is to be the Director of Economic Development) and six (6) selected by the LRCC. Member terms are three (3) years in length. The Chair of the LRCC appoints a TAC Chair from the twelve members to a one (1) year term (Article IV). With the exception of the Director of Economic Development, there are no qualifications specified for TAC members. Presently, the Deputy City Manager sits on the TAC instead of the Director of Economic Development.
- The City provides funding primarily through a Transient Occupancy Tax (lodging tax) of 5.5% supplemented by a \$1.00 per night per rented room use fee (Article V). The City provides a base funding amount of \$180,000, plus \$15,000 for "a comprehensive, on-going advertising campaign", plus an additional \$15,000 "to promote Lynchburg as a center for sporting events", plus 50% of any growth in the City revenues from lodging taxes in excess of \$680,000 collected during the previous fiscal year, plus 30% of the per night per room use fee. For FY 2006 the budgeted amount is \$486,630.
- Additional program funding comes from events and retail sales at the Visitors Center.

- An Income Statement for the LRCVB for the nine months ending September 30, 2005 is attached for reference regarding the program budget (Attachment #5)
- The LRCC is required to provide annual reports on the two programs funded by the \$15,000 contributions, quarterly reports on other operations, and an annual report summarizing the quarterly reports (Article V).

Virginia Tech Performance Audit

As a prerequisite to submitting a proposal for the renewal of the tourism contract the Lynchburg Regional Chamber of Commerce, in February 2005, contracted with the Virginia Tech Office of Economic Development to conduct a performance audit of the Lynchburg Regional Convention & Visitors Bureau. The audit was completed and a final report issued in September. The audit found the LRCC and the LRCVB to be “in compliance with the requirements outlined in the City contract” and that the LRCVB “has been effective in meeting the goals outlined in its mission statement to promote the Lynchburg region and enhance its image as a destination for leisure visitors, groups and sporting events.” The audit did, however, note opportunities for improvement and made recommendations regarding improving communications, performance measurement, the Tourism Advisory Council, benchmarking and funding.

The full report is included as Attachment #1 and includes an Executive Summary and numerous appendices.

LRCC Proposal for Contract Renewal

The Lynchburg Regional Chamber of Commerce has submitted a proposal for the renewal of the tourism contract. A copy of the full proposal is provided under separate cover (Attachment #6). A summary of key components of the proposal follows:

- A five year contract period commencing January 1, 2006.
- Simplified funding, replacing the formula described above with a straight 35.8% of total lodging taxes. This is the average percentage of lodging tax revenues provided over the last five years. For the current fiscal year the difference in funding would be an additional \$41,828 (\$528,458 versus \$486,630). For Fiscal Year 2005 the difference would have been an additional \$34,325 (\$484,964 versus \$450,639).

- Restructuring of the Tourism Advisory Council to reduce its size to nine (9) members, ensure representation from stakeholder groups, and including a reduction in terms and minor changes in responsibilities.
- Implementation of the recommendations of the Virginia Tech performance audit including benchmarking and performance measures.

Lynchburg Hotel/Motel Association Proposal

The proposal submitted by the Lynchburg Hotel/Motel Association is included as Attachment #7. The main points are:

- A recommendation that the LRCVB be operated under the City of Lynchburg's Department of Economic Development.
- The suggestion that the program could be operated at a lower cost (\$90,000 in savings).
- Reduced funding for the program (25% of lodging tax receipts). In the current fiscal year this would reduce program funding by \$117,595 (\$369,035 versus \$486,630).
- More money provided for marketing (40% of the budget).
- The establishment of a Tourism Leadership Council, consisting of those directly involved in the tourism industry, to assist and advise on advertising and promotion.
- Future budgetary increases for the program would be performance based.

Next Steps

Suggested next steps include:

1. Identify any questions from Council as a result of this presentation.
2. Council needs to define expected outcomes of a tourism program. This could be done by a subcommittee of Council with or without representatives from stakeholder groups.
3. Staff will meet with both proposers to gather additional information regarding the proposals. A staff analysis of each proposal will be provided to Council.

4. Consider options for the ultimate management of the tourism program including keeping it with the Chamber, transferring it to Economic Development, transferring it to the City's Department of Communications and Marketing, or seeking some other arrangement such as an independent convention and visitors bureau or management by some other organization (past suggestions have included placing the tourism program with Region 2000 or Lynch's Landing).
5. Determine a timetable for resolving this issue.
6. Decide the issue.

Optional steps include:

- Schedule a special City Council work session on the matter with or without stakeholders.
- Conduct a public hearing.
- Entertain presentations from both proposers.
- Extend the contract with the Chamber of Commerce for six months to a year if a decision cannot be made by mid-December. (A decision not to renew the contract with the Chamber would probably require a contract extension to accommodate the transition.)

My oral presentation to Council during its work session on October 25 will review this document. Please do not hesitate to contact me if you have any questions before then.

CC: Bonnie Svrcek, Deputy City Manager
Mary Jane Russell, Director of Economic Development
Joann Martin, Director of Communications and Marketing

Attachments